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SUBJECT: ECONOMIC LEGISLATION STAGNATES IN CONGRESS

¶1. (SBU) SUMMARY: DURING THE FIRST FOUR MONTHS OF ORDINARY SESSIONS, CONGRESS PASSED ONLY 10 NEW LAWS, WITH 22 ECONOMIC BILLS (PLUS 54 FROM 2005) WAITING TO BE REVIEWED BY THE RESPECTIVE COMMITTEES BEFORE THEY CAN BE DISCUSSED BY THE PLENARY. IMPORTANT PROPOSALS SUCH AS AMENDMENTS TO THE MINING LAW AND THE FREE TRADE ZONES LAW, AND A COMPETITIVENESS LAW, ARE PENDING APPROVAL, ALONG WITH SEVERAL IN THE POLITICAL AREA. PRIVATE SECTOR AND SOCIAL ORGANIZATIONS BLAME CONGRESSIONAL COMMITTEES FOR THE SMALL NUMBER OF LAWS APPROVED. OTHER COMMENTATORS CITE POLITICAL MOTIVES OF VARIOUS PARTIES FOR BLOCKING THE LEGISLATIVE AGENDA, OFTEN THROUGH CALLING MINISTERS TO TESTIFY FOR SEVERAL DAYS AT A TIME. THE LACK OF ADEQUATE LEGISLATION HAS OFTEN TIED THE HANDS OF THE BERGER ADMINISTRATION. END SUMMARY.

¶2. (SBU) DURING THE FIRST PERIOD OF ORDINARY SESSIONS (JANUARY 14 TO MAY 15), CONGRESS APPROVED ONLY 10 NEW LAWS, AND NONE IN THE ECONOMIC AREA. THE PERIOD OF EXTRAORDINARY SESSIONS HAS BEEN MORE PRODUCTIVE, WITH SEVEN LAWS APPROVED FROM MAY 18 TO JUNE 1, INCLUDING THE KEY CAFTA IMPLEMENTATION BILL. FROM JANUARY 2005 TO MAY 2006, 76 ECONOMIC BILLS WERE SUBMITTED TO CONGRESS (54 IN 2005 AND 22 IN 2006) AND REFERRED TO THE RESPECTIVE COMMITTEES FOR REVIEW. WITH THE EXCEPTION OF THE TAX EVASION LAW THAT HAS BEEN DISCUSSED AND APPROVED IN ITS FIRST AND SECOND READINGS, THE REMAINING LAWS HAVE NOT REACHED THE PLENARY. THE CAFTA IMPLEMENTATION BILL WAS ONLY APPROVED ON MAY 18 DURING THE PERIOD OF EXTRAORDINARY SESSIONS, AND AFTER SUBSTANTIAL LOBBYING BY BUSINESS GROUPS AND THE EMBASSY.

¶3. (U) ACCORDING TO CONGRESS' LEGISLATIVE OFFICE, THE COMMITTEES ON ECONOMY AND FOREIGN TRADE, PUBLIC FINANCE, AGRICULTURE, COMMUNICATIONS, ENERGY AND MINES, AND LABOR ARE REVIEWING THE ECONOMIC BILLS SUBMITTED IN 2005 AND FIRST MONTHS OF 2006. THE LARGEST NUMBER OF PROPOSALS HAS TO BE REVIEWED BY THE COMMITTEE ON PUBLIC FINANCE (46) AND THE COMMITTEE ON ECONOMY AND FOREIGN TRADE (10). SOME OF THE IMPORTANT BILLS PENDING FOR APPROVAL INCLUDE AMENDMENTS TO THE MINING LAW AND TO THE FREE TRADE ZONES LAW, A MINIMUM WAGES LAW, A CIVIL SERVICE LAW, A COMPETITIVENESS LAW, A RURAL DEVELOPMENT LAW, A LAW ON PUBLIC-PRIVATE PARTNERSHIPS AND A LAW TO ALLOW THE USE OF ETHANOL FOR VEHICLES.

¶4. (U) THE DIRECTOR OF THE CHAMBER OF INDUSTRY AND OTHER BUSINESS GROUPS HAVE HIGHLIGHTED THE IMPORTANCE OF THE PENDING LAWS, AND CRITICIZED THE CONGRESSIONAL COMMITTEES FOR NOT DOING THEIR WORK PROPERLY. HE MENTIONED THE SIGNIFICANCE OF THE ORGANIZED CRIME LAW, THE TAX EVASION LAW, AND THE CIVIL SERVICE LAW, WHICH IF APPROVED WOULD PROVIDE LEGAL CERTAINTY TO INVESTORS. CARLOS BARREDA OF THE SOCIAL ORGANIZATION COLLECTIVE SAYS THE SMALL NUMBER OF LAWS APPROVED REVEALS THE

NEED TO AMEND CONGRESS' ORGANIC LAW TO HELP EXPEDITE THE APPROVAL PROCESS. HE AND OTHER ANALYSTS BELIEVE THE REMAINING MONTHS OF 2006 WILL BE THE LAST OPPORTUNITY TO APPROVE COMPLICATED PENDING LEGISLATION, SINCE 2007 IS AN ELECTION YEAR. THE PRESIDENT OF CONGRESS RECENTLY RECOGNIZED IN PUBLIC THAT THE PASSAGE OF LAWS HAS BEEN SLOWER THAN IN PREVIOUS YEARS, BUT SAID THAT IT IS PART OF THE LEGISLATIVE PROCESS.

WHARTON